

# **Iowa Department of Economic Development**

## **Presentation to Rebuild Iowa Advisory Commission**

### Impact on Iowa's economy

- Short term- very bad
- Intermediate term- possibly stimulative, federal funds flowing in, construction will be busy.
- Note the national economy is slowing at this point.

### Impact on Business- Large Employers, Manufacturers, Non Retail.

- Amount of damage not known but its clear numerous large employers have closed down from few weeks to few months.
- Fear workers who lost homes will leave communities aggravating shortage.
- Rail and bridges will take years to replace.
- Supplier and customer networks have been damaged statewide.
- Companies located in 100 year flood plain will likely be forced to move. Will they stay in same community, within Iowa?

### Impact on Business- Downtowns, Main Streets, Retail

- Again, amount of damage not known but downtowns of Charles City, Cedar Rapids, Waterloo, Coralville, Elkader, Parkersburg, Oakville etc all had major damage. Many other cities had some buildings and businesses damaged.
- Fears that small retailers, often tenants will not reopen. Thin margins anyway, need to purchase all new equipment, can't handle more debt, customer traffic down.
- Non-profits, Museums, Cultural Attractions hit hard. Underinsured, no revenue to repay old debt, no collateral, fundraising potential strained. These are eligible for SBA.

### Impact on Communities

- Housing you'll hear from Joe, though DED staff and CDBG funds will partner with Joe and Bret and IFA in this effort. We strongly urge a Workforce Housing Initiative, to produce thousands of new, energy efficient houses priced so a working family making an average wage in a county can buy one.

- Community Facilities-Taxable values declined, in some cases, dramatically, lots of public buildings, city and county seats of government, libraries, jails, fire stations, etc damaged.
- Water Infrastructure- Obviously Iowa had infrastructure problems before, now 100 year flood plains and development patterns will change so new different, modern infrastructure will be needed. Following the 1993 flood, the largest share of CDBG about 35% was invested in sewer and water infrastructure. This spending also has the greatest potential for leveraging local funds.

## Resources

- CDBG- Largest, most flexible pot of funds. Can be used to match FEMA. Reprogramming some 2008, July Supplemental don't know how much, need for hundreds of millions more. Applying to HUD for Waivers. Allocation plans not set, RIAC will have important say.
- Iowa Values Fund, High Quality Jobs TC's , Enterprise Zones TC's- Disaster assistance, retail not eligible uses. DED gets \$30 million annually spent it all last year. A portion could be set aside for disaster assistance but we have got to stay competitive. We still have many active prospects. Legal requirements are an impediment to use for disaster relief including: above average wage rates, benefits, new jobs, local match. Job retention is an eligible use but that can cover a lot of things and the money be gone quickly without ever creating a new job.
- Vision Iowa Bd/CAT- Has legal authority to enter into multi-year commitments so some of FY'09 & FY'10 money is already committed. RE-CAT has not been applied for yet.
- Staff- DED has two fulltime staff at RIO, one staffing Infrastructure Task Force , the other the Economic Development and Workforce Task Force. We offered staff for SBA Business Recovery Centers. SBA predicts loan volume will ramp-up. We expect to assign a few people beginning next week.
- EDA Planning Grant, \$3 million- DED preparing application for RIO. Uses include economic recovery planning studies, tools, staff.
- EDA Supplemental Disaster Assistance, \$100 million appropriated. Iowa's share, eligible uses not clear. We are working with EDA Denver to access it for business recovery. Won't come as cash to state.

- AmeriCorps & Office of Volunteer Services- The most important resource the state has in recovery, as it has been in the disaster management, is volunteers. Thousands of volunteers who sandbagged and are now cleaning-up. Many of those were supervised and trained by AmeriCorps members from the Governor's Office of Volunteer Services which is housed at DED. This office operates on a shoestring budget of nearly all federal funds. With the opening of the National Service Corps Center in Vinton the State will have access to hundreds more AmeriCorps members.

#### Going Forward

- Small businesses including retail have funding gaps- insurance shortages, can't manage more debt. For downtowns and main streets quick cash is needed to generate some traffic.
- State has got to stay aggressive in economic development especially if the national economy is going to slow or decline and especially because things have been going well in renewable energy industries.

#### Recommendations

- Small Business (including retail) Disaster Forgivable loans:
  - Conditions on forgiveness- Must return to business, hire at least 90% of previous employees, same or better wage scale as before, if there is real estate must take full advantage of utility discount programs.
  - Terms- 10%-20% of SBA loan amount could set maximum of \$10,000-100,000. By piggybacking on SBA it comes after insurance and SBA underwrites credit. Forgivable after 2 years in business.
  - Fund with \$10-15 million State money plus remainder CDBG. Too early to estimate demand. Set deadline for applications.
- For Downtowns, Main Streets and Individual Retailers Technical Assistance
  - Offer paid, experienced, national consultants to work with retail areas and with individual retailers. Offer workshops on recovering customers, reopening, layout and design, accessing funding programs, etc. This was done following 1993 floods and it was very successful.
  - Fund with Main Street Iowa grants appropriation, CDBG, perhaps EDA.
- Larger employers, manufacturers who are at risk of leaving the community and/or state.

- Allow DED to Waive: IVF wage minimums, local match, ROI,
- Assist to access EDA funding.

### 1993-1994 CDBG & HOME Supplemental Flood Funds

		PROJECTS	AMOUNT	LOCAL \$	UNITS	JOBS	%
<b>Economic Development</b>	Business Assistance	13	\$ 454,606	\$1,519		310	0.6%
<b>Public Facilities</b>	Storm Sewers	63	\$ 18,469,207	\$11,545,488			25.3%
	Sanitary Sewers	35	\$ 6,544,667	\$5,138,241			9.0%
	Flood/Drainage	7	\$ 1,206,778	\$392,130			1.7%
	Levee	2	\$ 806,137	\$202,578			1.1%
	Water Systems	4	\$ 694,902	\$139,332			1.0%
	Streets/Bridges	4	\$ 520,710	\$79,576			0.7%
							0.0%
<b>Housing</b>	Acquisition/Demolition	72	\$ 18,602,444	\$0	1,255		25.5%
	Housing Rehab*	11	\$ 13,167,483	\$0	1,094		18.0%
	New Rental Housing	7	\$ 6,345,760	\$0	263		8.7%
	Homeownership	8	\$ 1,707,247	\$0	125		2.3%
	Relocation	31	\$ 1,413,619	\$0	212		1.9%
							0.0%
<b>Other</b>	Admin/Planning		\$ 2,939,472	\$53,710			4.0%
	Other	2	\$ 125,000	\$14,768			0.2%
<b>Total</b>			<b>\$ 72,998,032</b>	<b>\$17,567,342</b>	<b>2,949</b>	<b>310</b>	

\* Housing Rehab grants were awarded to 10 multi-county entities, plus West Des Moines